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their concessions have expired, may here limit its activities to coöperating with the existing private companies, or, as in the case of two concessions for needed railways authorized lately, may offer them first to the departments in which the lines are located, and departmental loans will have to be sought to carry through the work.

Up to recent years no attempt has been made by the larger cities of Colombia to finance their growing needs by the issuance of municipal bonds, and their public improvements have been of very slow growth in consequence. The last few years, however, have seen a great change in public opinion in this respect, and a number of the larger cities are realizing the necessity of putting in adequate modern water service with proper sewerage and street paving, are planning to build or are acquiring their street railway systems, and will be in the market for the necessary financing for these improvements.

As regards capital for private uses, the lack of straight banking capital in Colombia is a great handicap to the country, and there is much need of capital for long-term mortgage loans on city and farm property. At present banking capital is limited and discount rates very high. This limits commercial enterprise and is prohibitive for real estate loans, as is also the fact that it is difficult to secure anything but short-term accommodations. Loans on real estate at anything like reasonable rates and for longer terms would stimulate building operations of a much needed character in the cities and would enable many a cattle raiser to better his stock or to put some of his big grazing tracts to a more profitable use.

COSTA RICA

BY WALTER PARKER,

General Manager, New Orleans Association of Commerce; Chairman Permanent Committee on Costa Rica, Pan American Financial Conference.

An abundance of water power, undeveloped mines of great wealth, agricultural possibilities of wonderful potentiality and adequate shipping facilities should enable Costa Rica to assume a mortgage far beyond the power of the average Central American republic. The natural wealth of the republic has hardly been touched.

The effect of the European war is similar to that felt by the other republics. One of the results is the hastily formed Banco Internacional, founded by the government to meet the unusual financial conditions created. This is a bank of issue, having a capital consisting of Costa Rican treasury bonds. The reserve

required by law for banks of issue is 40 per cent gold. Present rates on commercial loans are high, running all the way from nine to twelve per cent. It is said to be the desire of the President of the republic to convert the Banco Internacional into a general mortgage bank, and induce the three or four commercial banks to combine and form one commercial bank. It is believed that this will increase the total banking power of the republic, decrease rates of interest and provide for the extension of rural credits. By inaugurating this plan the combined capital of five Costa Rican banks would approximate less than \$5,000,000.

The most urgent need of the Costa Ricans is adequate credit facilities. We must become fully cognizant of this need before we attempt anything. It is now possible, through the agency of the Federal Reserve Act, for the national banks of this country to cooperate more fully.

Heretofore the merchants of Costa Rica have availed themselves of the extremely favorable terms of the European markets. The rates of interest were almost invariably more liberal than those to be had in the United States. Now that the bankers of this country can give their acceptance to long-sight drafts arising from exports and imports, a means is at hand to in part overcome this obstacle. Having grown accustomed to paying his bills every six months, it is a difficult matter for a merchant in Costa Rica to adapt himself to the rapid ways of American business, but it does not necessarily mean that he is trying to evade payment of his obligations.

Even if the United States goes after and gets its proportion of the business of Costa Rica, there still would be something left to be done. The republic needs more than the mere influx of American-made-goods; it needs American capital and brains as well. Under prevailing conditions, the railway situation, with some improvements, would be about adequate. There will be need for more railways when the other development necessary has proceeded, but at present there is scant need for more transportation improvement. The mining and agricultural features of Costa Rica should make an irresistible appeal to the American investor. When these have been taken in hand and are producing their proper percentage of the country's wealth, there will be less dependence upon the custom house.

Any casual investigation of the opportunities in Costa Rica cannot help but reveal the wonderful openings to be had there by American capital. But it is well to look into every angle of the situation before attempting investments. Nothing that has ever been written about the mines, water power and the agricultural extent of the republic, can be made to convey the idea that is only to be had through personal investigation. And the man who undertakes to seek out the best forms of investment in Costa Rica must

go into the country free of prejudice or set opinion. He will encounter one surprise after another, and in some instances he will be amazed to learn the progress Costa Rica has made in certain directions.

The people of the United States are now looking forward to the establishment of rural credit banks. There can be no doubt but that these institutions will exert a wonderful stimulus on agriculture in the United States. But the idea is not new to Costa Rica. Rural banks to aid the farmers in getting money under favorable conditions have been in operation for over a year. This system is under the management and control of the government, through the agency of the Banco Internacional. A mortgage department now is contemplated with a capital of 500,000 colones, or approximately \$200,000.

Practically every essential element favorable to the investment of capital may be found in Costa Rica. The money that is used in developing its resources must be invested with an eye to the future of the country, and not for quick exploitation and immediate return. A steadily increasing wave of resentment is becoming apparent in Latin America against the evanescent effects of the exploiter. The people realize their own deficiencies for want of money, and will go more than half-way to welcome and assist the honest, well-intentioned American capitalist. It would help greatly were the national debt refinanced in the United States.

CUBA

BY A. G. ROBINSON,

Washington, D. C.

We may safely assume that Cuba will want money in the immediate or early future, but a wide difference stands between wants and actual needs. There, as in other lands, the gratification of wants is limited by the ability to pay for them without an unwise stretch of borrowing power. In Cuba's case, a special limitation appears in that appendix to its Constitution, commonly known as the Platt Amendment, imposed by the United States at the time of the transfer of government to Cuban hands, in May, 1902. In Article II, that instrument declares:

That the Government of Cuba shall not assume or contract any public debt, to pay the interest upon which and to make reasonable sinking-fund provision for the ultimate discharge of which, the ordinary revenues of the Island, after defraying the current expenses of government, shall be inadequate.